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## Vale's production and sales in 1Q19

### *Production and sales highlights*

Vale iron ore fines production totaled 72.9 Mt in 1Q19, 28% and 11% lower than 4Q18 and 1Q18, respectively, mainly as a result of the impacts following the Brumadinho dam rupture and the stronger than usual weather-related seasonality.

Vale pellet production<sup>1</sup> totaled 12.2 Mt in 1Q19, 23% and 5% lower than 4Q18 and 1Q18, respectively, mainly due to stoppages of pellet plants, following the Brumadinho dam rupture, as well as scheduled maintenances carried out in Tubarão and Oman.

Iron ore fines and pellet sales volume was 67.7 Mt in 1Q19, 30% and 20% lower than in 4Q18 and 1Q18, respectively. The decrease when compared to 4Q18 was a result of the following effects: (i) the usual weather seasonality (14 Mt); (ii) the impact of production stoppages following the Brumadinho dam rupture (7 Mt); (iii) new inventory management procedures at Chinese ports, which impacted the timing of sales revenue recognition (6 Mt); and (iv) abnormal rains impacting shipments from the Ponta da Madeira port in the Northern System (5 Mt); which were partially offset by inventory drawdowns from Chinese ports in 1Q19 (3 Mt).

Regarding the inventory management procedures mentioned above, according to previous practices, once a commercial agreement was reached, ownership of the product at our blending facilities was transferred to the customer and revenue was recognized, irrespective of retrieval of the ore by the customer. Consequently, the ore sold had to be segregated at the port awaiting retrieval, and therefore port operational capacity was constrained due to lack of stockyard flexibility. According to the new commercial practices, ownership of the product and hence revenue recognition is only granted upon cargo retrieval, which affects the timing of sales revenue recognition.

The share of premium products<sup>2</sup> in total sales was 81% in 1Q19, remaining practically in line with 4Q18. Iron ore fines and pellet quality premiums reached US\$ 10.7/t<sup>[3]</sup> in 1Q19 vs. US\$ 11.5/t in 4Q18, mainly due to lower market premiums for Carajás fines, which were partially offset by the positive impact of new contract terms for pellets sales.

Production of finished nickel reached 54,800 t in 1Q19, 14.4% lower than 4Q18 and 6.5% lower than 1Q18. The decrease was mainly due to lower production from: (i) PTVI, due to the scheduled maintenance shutdown at the Matsusaka refinery, in Japan; (ii) VNC, due to the scheduled maintenance at the Dalian refinery, in China; and, (iii) Sudbury, due to timing differences in the nickel processing chain.

Copper production reached 93,800 t in 1Q19, 14.6% lower than 4Q18 and in line with 1Q18. Production decreased mainly due to lower feed grades and lower plant throughput at various operations.

Coal production totaled 2.2 Mt in 1Q19, 29% and 9% lower than in 4Q18 and 1Q18, respectively, as a result of extremely severe rains throughout the quarter.

**Production summary**

000' metric tons	1Q19	4Q18	1Q18	1Q19/4Q18	1Q19/1Q18
Iron ore <sup>1</sup>	72,870	100,988	81,953	-27.8%	-11.1%
Pellets	12,174	15,812	12,780	-23.0%	-4.7%
Manganese ore	365	495	434	-26.3%	-15.9%
Coal	2,213	3,108	2,432	-28.8%	-9.0%
Nickel	54.8	64.0	58.6	-14.4%	-6.5%
Copper	93.8	109.8	93.3	-14.6%	0.5%
Cobalt	1,195	1,437	1,327	-16.8%	-9.9%
Gold (000' oz troy)	108	133	113	-18.8%	-4.4%

**Sales summary**

000' metric tons	1Q19	4Q18	1Q18	1Q19/4Q18	1Q19/1Q18
Iron ore <sup>1</sup>	55,416	80,495	71,221	-31.2%	-22.2%
Pellets	12,314	15,987	13,125	-23.0%	-6.2%
Manganese ore	252	442	338	-43.0%	-25.4%
Coal	2,394	3,433	2,497	-30.3%	-4.1%
Nickel	50.3	59.6	57.9	-15.4%	-13.0%
Copper	90.4	104.1	87.7	-13.2%	3.1%

For further information, please find the complete report by clicking [here](#).

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